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1. Although the 1951 harvest was excellent, party bosses were not satisfied with the progress of "socialized" agricultural production. In spite of terrorism, no more than 25% of the peasants and farmers joined the kolkhozes. More and more villages were penalized for not delivering their quotas of products to the State purchasing organs. The passive resistance of the farmers is still strong. In comparison to official prices, the free market prices went to a new high. Barley, for instance costs 60 florins per 100 kilos; on the free market, the price is 600 florins. A small pig which last year brought 400 florins, now brings 2,000 florins on the free market. These comparisons are typical of all sectors. Meats, fats, and sugar are the main items missing on the market. As a consequence of the new drastic production methods, food is scarce and industrial production is far below the requirements of the Five-Year Plan. The production of iron and steel especially is officially admitted as below the predetermined quotas. All industrial production has been slowed up in proportion to the dearth of raw materials.
2. The activity of the party bosses is being criticized in Moscow. Prof. Jenő Varga (ex-member of the Pál Kún government and main Soviet economic adviser) was sent to Hungary to investigate the economic difficulties. According to reports and newspaper accounts, the middle-ranking officials of the Communist Party, i.e., factory managers, agricultural inspectors, etc. will be held responsible for the low production figures. This group is being continually replaced and many of them have been arrested and are awaiting trial on charges of sabotage, lack of vigilance, etc. The spirit of the workers is radically against Communist production methods.
3. Raw material embargoes against Iron Curtain countries are bearing their first fruits. The best evidence of the country's mood is seen in the result of the second "Peace Loan": about 1,260 millions have been subscribed, and it is officially admitted that half of this sum was subscribed in Budapest (where terrorization is perfectly organized to force people to subscribe).

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4. Inflation in Hungary, which has recently been officially admitted by Government circles, has been provoked by the forced armament program and the growing scarcity of consumer goods. The rationing of food products, with the exception of meat and fats, was abolished as of December 15 in order to assure better market conditions once all available production has been requisitioned from the farmers. As of December 2, 1951, official prices have been raised 100%, whereas wages have been raised only 20%. Actually, wages have been cut practically 40%, thus provoking a further lowering of the standard of living.
5. Workers earn 400 to 500 florins, barely a subsistence wage. One or two workers from a group, for propaganda purposes, get a special bonus or extra pay; they are the "Stakhanovites" and they earn 1000 to 1500 florins. To earn the minimum pay, workers are pushed into so-called workers' competitions involving extra labor. The case is known of two young women, 19 and 22 years old, who work in the Kistext Textile mill in Kispest. One night, in October 1951, the sisters were brought home at 0300 in a Red Cross ambulance from the mill, where they had fainted after 16 hours of continuous work at the looms.
6. The "Kozert Buffet", state-owned cafeterias, serve as the simplest lunch a meal consisting of a soup, vegetables, and fruit, at a cost of 3 to 4 florins. But there are few people who can afford this luxury. These cafeterias are full of poor people and war veterans who wait around to eat what others have left on their plates. Source's informant, in November 1951, left his seat for a moment to buy some extra bread; when he returned two people had already eaten what he had left, thinking that he had already finished. The food in these state-owned cafeterias is of the poorest quality. In the autumn of 1951, one person is known to have had food poisoning twice from food consumed in these cafeterias.
7. People in the street are badly clothed; the once fashionably dressed women of Budapest have disappeared completely from the public. The streets are full of beggars, miserable war veterans and former prisoners of war asking for charity. People in street cars and busses sit silently, exhausted from work and from running to make queues in order to buy something to eat.
8. Street-car and bus operators and checkers are 80% women; traffic police personnel and taxi-cab drivers are practically 100% women. Men are in the Army, working in the mines, or engaged in construction. One major construction project is that of a highway direct to Moscow, the length of which is about 1,800 kilometers.*
9. The full-scale armament program has provoked inflation in Hungary. Since the summer of 1951, free market prices have risen from 100% to 200%, with food and other consumer goods continually becoming scarcer. Late in the afternoon on 1 December 1951, Radio Budapest announced that Rakosi would speak at 7:00 P.M. to the workers. At 6:50 the police agents arrived at all state-owned stores and food shops and ordered them to lock up. People doing their Saturday night shopping were astonished and flocked into the streets to hear Rakosi's speech. He announced that rationing, with the exception of meats and fats, would be suspended; the free market "with free prices" would be re-established as of 2 December; wages and salaries would be raised by 20%. The people understood immediately what free prices meant and there was open criticism in the streets as the people blamed the Government for this "Christmas Gift". The shops were then rushed by workers and housewives; the storekeepers and the government were called "thieves" and "brigands". Popular indignation forced the government to reopen the shops at 9:00 P.M. and people rushed to buy rationed items at old prices until midnight. On Monday 3 December 1951, stores opened with new prices offering theretofore hidden (by the government) merchandise at free market prices. Bread per kilo was listed at 2.80 florins as against the old price of 1.60; lard went up from 17 florins to 35; sugar, from 6 florins to 12; butter from 26 florins to 70; etc. Cotton fabrics, such as flannels, were unavailable but listed as 12 florins per meter before 1 December 1951; the price now moved up to 26-28 florins. The people reacted furiously as they computed a 20% increase in wages against a 40% to 50% decrease in available goods.

* [redacted] Comment: Reference perhaps to the Budapest-Szolnok-Zahony highway construction, confirmed by other sources.

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